UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

HOLZ LTD., Plaintiff(s), v. ROBERT JAMES KASHA, et al., Defendant(s).	No. C05-0244 BZ **ORDER DENYING DEFENDANTS' MOTION TO DISMISS**

Plaintiff Holz Ltd. filed this action on January 18, 2005 alleging infringement of U.S. Patent No. 4,742,753 by defendants Robert James Kasha dba Big Bang Distribution ("Big Bang") and Jeff Moeller, an employee of Big Bang. Defendant seeks dismissal of this patent infringement action under Rule 12(b)(1), arguing that this Court lacks subject matter jurisdiction because plaintiff was not the legal owner of the '753 patent at the time of filing this action.

This Court has original jurisdiction over "any civil matter arising under any Act of Congress relating to

patents." 28 U.S.C. § 1338(a). Only a patentee may bring an action for patent infringement. 35 U.S.C. § 281. See also Textile Products, Inc. v. Mead Corp., 134 F.3d 1481, 1483 (Fed. Cir. 1998). Patentees may include successors in title or assignees. 35 U.S.C. § 100(d); Ortho Pharmaceutical Corp. v. Genetics Institute, Inc., 52 F.3d 1026, 1030 (Fed. Cir. 1995). To sue for patent infringement, plaintiff must have an interest in the patent at the time of filing. Gaia Technologies, Inc. v. Reconversion Technologies, Inc., 93 F.3d 774, 780 (Fed. Cir. 1996). Plaintiff asserts it is the owner by assignment of the entire right, title and interest in and to the '753 patent. Compl. ¶ 12. Plaintiff bears the burden of showing that it is a proper party to invoke jurisdiction. William W. Schwarzer, et al., Federal Civil Procedure Before Trial, § 2:1208.5 (Rutter Group 2005).[1]

The record establishes the following material facts: Zay Speed is the sole inventor of the inventions in patent '753, which issued on May 10, 1988, from a patent

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[1] Both sides have presented evidence not contained in the pleadings in support of their positions. Courts may consider evidence presented by affidavit or otherwise in deciding 12(b)(1) motions. Biagro Western Sales, Inc. v. Helena Chemical Company, 160 F.Supp.2d 1136, 1143 (E.D. Cal. May 7, 2001)("[W]here a party asserts that a plaintiff lacks standing to sue . . . the court may consider facts beyond the scope of the plaintiff's complaint.") In deciding standing motions, courts may also make findings of fact when necessary. First Capital Asset Management, Inc. v. Brickelbush, Inc., 218 F.Supp.2d 369, 378 (S.D.N.Y. July 29, 2002); CC Distributors, Inc. v. U.S., 39 Fed.Cl. 771, 774 (Fed.Cl. Sep. 2, 1997)("The court is required to decide any disputed facts which are relevant to the issue of jurisdiction.")

application entitled "Drumhead with Framed Aperture" (Speed Decl. ¶ 2). He assigned his rights in the patent application to Tec-Eze, Inc., a Utah corporation, on January 6, 1988. This assignment was not recorded with the United States Patent and Trademark Office ("USPTO") and was "voidable at the will of [Speed] in the event that his interest in Tec Eze Inc. is diluted below twenty percent (20%) without [his] knowledge and consent" (Speed Decl., Exh. Z-A). Speed believes that his interest in Tec-Eze, Inc. dropped below 20% shortly after that and so, on December 12, 1988, Speed assigned the '753 patent to Holz, Ltd., a Utah corporation (Speed Decl. ¶ 4-6), which assignment was recorded with the USPTO. Plaintiff argues that because Speed's interest in Tec-Eze, Inc. dropped below 20%, this December 12 assignment voided Speed's earlier assignment to Tec-Eze, Inc. In the alternative, plaintiff argues that this recorded assignment voided Speed's previous unrecorded assignment to Tec-Eze, Inc. pursuant to 35 U.S.C. § 261.[2]

On May 10, 1991, Holz, Ltd., the Utah corporation, assigned the '753 patent to Lynn Charles Spafford (Speed Decl. ¶ 7). On May 15, 1991, Spafford assigned the patent to Holz, Ltd., a Utah limited partnership (Wallace Decl., Exh. W-E). On May 16, 1991, the certificate of partnership

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[2] 35 U.S.C. § 261 provides, "An assignment . . . shall be void as against any subsequent purchaser . . . for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage."

for Holz, Ltd. was signed and on May 21, 1991, it was filed with the State of Utah. On January 7, 1993, Spafford resigned as a general partner of Holz, Ltd., the partnership, and assigned his partnership interests to Speed (Speed Decl., Exh. Z-G). On February 17, 1998, Holz, Ltd.[3] assigned its interests in the '753 patent to Gayle Matsumoto, Speed's sister. Gayle Matsumoto recorded this assignment with the USPTO on October 19, 1998 and then recorded another version on August 26, 2004 to correct the name of the assignor in the first filing.[4]

On November 21, 1998, Speed sold Holz, Ltd.,[5] including "all rights to patent for HOLZ products" to Fred Matsumoto (Speed Decl., Exh. Z-I). On December 4, 1998, Fred Matsumoto incorporated Holz Ltd. as a California corporation (Matsumoto Decl., Exh. F-A). On December 13, 2004, in a fee agreement among plaintiff, a law firm, and Gayle Matsumoto and Fred Matsumoto as individuals, Gayle and Fred Matsumoto assigned their rights, to the extent they had any, in the '753 patent to plaintiff (Matsumoto Decl., Exh. F-D). On July 22, 2005, Gayle Matsumoto again assigned her rights in the '753 patent to plaintiff (Allan

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[3] Although the record is not clear, and Holz, Ltd., the Utah limited partnership expired on July 1, 1994, presumably this is the limited partnership.

[4] Plaintiff claims this assignment to Gayle Matsumoto was void because the instrument failed to identify with particularity the item being assigned.

[5] Although the record is not clear and Holz, Ltd., the Utah limited partnership, expired four years before this sale, presumably it was the Utah limited partnership that Speed sold to Fred Matsumoto.

Decl, Exh. Q).

Defendants focus on two issues that they claim "break" plaintiff's chain of title: ownership interest in the '753 patent did not revert to Speed from Tec-Eze, Inc. in December 1988 because the purported reversion was not reduced to writing and Spafford's purported assignment of his rights on May 15, 1991 to Holz, Ltd., a Utah limited partnership, was not effective because no such entity existed at the time of assignment.

Defendants are incorrect that plaintiff's chain of title was broken.[6] The January 6, 1988 patent assignment to Tec-Eze, Inc. contained a written provision for voiding Speed's assignment to Tec-Eze, Inc.[7] In his declaration, Speed avers that he believed his interest in Tec-Eze, Inc. fell below 20%. Defendants have not countered this proof. Nothing in the record suggests that Tec-Eze, Inc. challenged the reversion in December 1988. Speed avers he then assigned his rights to Holz, Ltd., a Utah corporation (Speed Decl. ¶ 5), which subsequent assignment was

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[6] In their supplemental brief, defendants rely on Enzo Apa & Son, Inc., v. Geapag A.G., 134 F.3d 1090, 1093 (Fed. Cir. 1998)(reversing because nunc pro tunc assignments executed after a suit is brought and oral assignments are not sufficient to confer standing). Enzo is distinguishable since plaintiff's standing does not depend on oral or nunc pro tunc assignments.

[7] The inclusion of this language suggests that Speed intended to retain the power to revoke the assignment. Courts have held that for an assignment to be valid, the intent to part with the patent must be clear and unambiguous. Switzer v. C.I.R., 226 F.2d 329 (6th Cir. 1955); McClaskey v. Harbison-Walker Refractories Co., 138 F.2d 493 (3rd Cir. 1943).

recorded. Even if the '753 patent had stayed with Tec-Eze, Inc., upon its dissolution in 1989, the corporate assets, including the '753 patent, should have been distributed to the remaining shareholders, Speed and Spafford (Speed Decl. ¶ 4).[8]

Defendants' arguments regarding Spafford are similarly unconvincing. Even assuming defendants' point that assignments to unformed entities are invalid,[9] it makes little practical difference. The '753 patent would have stayed with Spafford if his attempt to assign to a limited partnership not yet in existence was ineffective. Spafford signed the certificate of limited partnership for Holz, Ltd. as a general partner, and the certificate stated that "the limited partnership shall manufacture and distribute a product protected under U.S. Patent Number 4,742,253 and by this statement the limited partnership hereby asserts

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[8] Under the Utah Code Annotated § 16-10a-1422, a dissolved corporation may apply for reinstatement within two years after the effective date of dissolution. The reinstatement would relate back to the effective date of dissolution. There is no evidence in the record that Tec-Eze, Inc. ever applied for reinstatement or has engaged in any business since 1989.

[9] Although defendants cite a number of cases for the proposition that a deed to a non-existent corporation does not operate to convey legal title, other cases suggest that the rule may be different where the entity came into being shortly after the purported conveyance and then acted as though it held title. See e.g. Harwood v. Masquelette,181 N.E. 380 (Ind. App. 1932); and White Oak Grove Benev. Soc. v. Murray, 47 S.W. 501 (Mo. 1898). See generally 148 A.L.R. FED 252, Sec. IV, Equitable Relief (2004). Arguably, at least for purposes of obtaining an injunction against infringement, plaintiff's title is sufficient. See Arachnid, Inc. v. Merit Industries, Inc., 939 F.2d 1574, 1580 (Fed. Cir. 1991).

ownership interest in said patent and serves public notice thereof" (Speed Decl., Exh. Z-D). This, coupled with his earlier attempted assignment, his involvement in and right to receive profits, if any, from the limited partnership, shows Spafford intended his rights to the '753 patent to be partnership property. See 59A Am. Jur. 2d Partnership § 257 (2003). He would have been estopped had he claimed otherwise.

This ruling allows the entity that has exercised ownership rights over the '753 patent for many years, including manufacturing and selling the patented product, to sue for infringement. Defendants claim the rights to the '753 patent still reside with Tec-Eze, Inc. or Spafford. Yet neither Tec-Eze, Inc. nor Spafford has asserted any rights in connection with the '753 patent. They do not appear to be using the '753 patent. The inequitable result if the Court accepted defendants' analysis would be that plaintiff, the only person that could have suffered actual loss, damage or injury from alleged patent infringement, would not have standing to sue, while Tec-Eze, Inc. or Spafford would have standing to sue for patent infringement but would have no reason to do so because they could not have suffered actual loss, damage or injury. It is unfortunate that the record tracing the chain of title is spotty and confusing, but the record is clear that Speed, Spafford and others intended to assign the rights to the '753 patent to plaintiff and executed numerous documents to effectuate that intent.

Therefore, **IT IS ORDERED** that defendants' motion to dismiss is **DENIED**. Plaintiff has standing to sue. **IT IS FURTHER ORDERED** that defendants' evidentiary objections to the Declaration of Fred Matsumoto in Support of Holz's Supplemental Memorandum are **OVERRULED** as moot. I did not rely on the declaration in denying defendants' motion.

Dated: December 2, 2005

Bernard Zimmerman
United States Magistrate Judge

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